



March 2, 2001

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## SENATE BILL No. 434

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DIGEST OF SB 434 (Updated March 1, 2001 11:45 AM - DI 104)

**Citations Affected:** Noncode.

**Synopsis:** Case mix reimbursement for nursing homes. Requires the office of the secretary of family and social services to make various amendments to the administrative rule regarding the Medicaid case mix reimbursement system for nursing homes. Requires the office of Medicaid policy and planning to apply to the federal Health Care Financing Administration for a Medicaid state plan amendment to implement certain rule changes. Prohibits the office of the secretary of family and social services from repealing or amending certain administrative rules without statutory authority.

**Effective:** Upon passage.

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### Miller, Meeks R

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January 18, 2001, read first time and referred to Committee on Finance.  
March 1, 2001, amended, reported favorably — Do Pass.

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SB 434—LS 8029/DI 98+



March 2, 2001

First Regular Session 112th General Assembly (2001)

PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in **this style type**, and deletions will appear in ~~this style type~~.

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in *this style type* or ~~this style type~~ reconciles conflicts between statutes enacted by the 2000 General Assembly.

## SENATE BILL No. 434

A BILL FOR AN ACT concerning Medicaid.

*Be it enacted by the General Assembly of the State of Indiana:*

1       SECTION 1. [EFFECTIVE UPON PASSAGE] (a) The definitions  
2       in 405 IAC 1-14.6, as in effect on January 1, 2001, apply  
3       throughout this SECTION.

4       (b) Not later than January 1, 2002, the office of the secretary of  
5       family and social services established by IC 12-8-1-1 shall adopt  
6       rules under IC 4-22-2 to make the following Medicaid  
7       reimbursement changes to 405 IAC 1-14.6:

8           (1) Physical therapy, speech therapy, occupational therapy,  
9           and respiratory therapy services shall be removed from the  
10          direct care rate component and calculated in a new rate  
11          component called "therapy". A profit add-on payment may  
12          not be added to the calculation of the therapy rate component,  
13          and there is no limitation on the amount of the therapy rate  
14          component in the rate calculation. The therapy rate  
15          component shall be calculated as follows:

16               STEP ONE: Divide the Medicaid revenue for each therapy  
17               service by the total revenue for each therapy service.

18               STEP TWO: Multiply the amounts determined under

SB 434—LS 8029/DI 98+



- 1 STEP ONE for each therapy service by the total cost of  
 2 each therapy service.  
 3 STEP THREE: Add the amounts determined under STEP  
 4 TWO.  
 5 STEP FOUR: Divide the total amount determined under  
 6 STEP THREE by total Medicaid days.  
 7 STEP FIVE: Add the amount determined under STEP  
 8 FOUR to the rate calculated for the provider.  
 9 (2) A provider's indirect care rate component shall be limited  
 10 to the product of:  
 11 (A) the average allowable cost of the median patient day  
 12 for indirect care costs; multiplied by  
 13 (B) one hundred ten percent (110%).  
 14 (3) A provider's administrative rate component shall be  
 15 limited to the product of:  
 16 (A) the average allowable cost of the median patient day  
 17 for administrative costs; multiplied by  
 18 (B) one hundred five percent (105%).  
 19 (4) Expenses for repairs and maintenance shall be removed  
 20 from the capital component and calculated as part of the  
 21 indirect care component.  
 22 (5) A provider's capital rate component shall be limited to the  
 23 product of:  
 24 (A) the average allowable cost of the median patient day  
 25 for capital costs; multiplied by  
 26 (B) ninety percent (90%).  
 27 (6) Allowable costs per patient day for capital related costs  
 28 shall be computed based upon an occupancy level equal to the  
 29 greater of:  
 30 (A) ninety percent (90%); or  
 31 (B) the provider's actual occupancy from the most recently  
 32 completed historical period.  
 33 (7) Expenses for property taxes shall be removed from the  
 34 capital rate component and calculated in a new rate  
 35 component called "property taxes". A profit add-on payment  
 36 may not be added to the calculation of the property taxes rate  
 37 component, and there is no limitation on the amount of the  
 38 property taxes rate component in the rate calculation.  
 39 (8) The cost of professional liability insurance shall be  
 40 separated from the administrative rate component and  
 41 calculated in a new rate component called "professional  
 42 liability insurance". A profit add-on payment may not be

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added to the calculation of the professional liability insurance rate component, and there is no limitation on the amount of the professional liability insurance rate component in the rate calculation. Each provider shall submit current liability insurance premium statements and supporting documentation to the state's rate setting contractor. The professional liability insurance component in the provider's rate must be equal to the liability insurance expense from the current liability premium statements and supporting documentation divided by the total patient days from the provider's most recently filed cost report. The rate adjustment is effective on the first day of the month if the effective date of the policy is on or after the first day of the same month but before the sixteenth day of the same month. If the effective date of the policy is after the fifteenth day of the month but on or before the last day of the month, the rate adjustment shall be effective on the first day of the following month. For the calculation of reimbursement rates effective after June 30, 2003, the cost of professional liability insurance must be included in the administrative rate component, subject to the profit add-on payment and the limitation on the administrative rate component.

(9) The reimbursement rate for providers having a ventilator patient shall be increased to compensate for the change to the reimbursement rate required by subdivision (1).

(10) The reimbursement rate must be equal to the sum of the following components:

- (A) Direct care.
- (B) Indirect care.
- (C) Administrative.
- (D) Capital.
- (E) Therapy.
- (F) Property taxes.
- (G) Liability insurance.

(11) The state shall use Resource Utilization Group 5.12, 34 grouper, to determine each resident's case mix index (CMI) that is used to calculate the facility average CMI for all residents and to determine the facility average CMI for Medicaid residents. The CMIs used to calculate the facility average CMI for all residents and to determine the facility average CMI for Medicaid residents shall be as follows:

RUG-III GroupCMI



1	<b>RAD 2.02</b>
2	<b>RAC 1.69</b>
3	<b>RAB 1.50</b>
4	<b>RAA 1.24</b>
5	<b>SE3 2.69</b>
6	<b>SE2 2.23</b>
7	<b>SE1 1.85</b>
8	<b>SSC 1.75</b>
9	<b>SSB 1.60</b>
10	<b>SSA 1.51</b>
11	<b>CC2 1.33</b>
12	<b>CC1 1.27</b>
13	<b>CB2 1.14</b>
14	<b>CB1 1.07</b>
15	<b>CA2 0.95</b>
16	<b>CA1 0.87</b>
17	<b>IB2 0.93</b>
18	<b>IB1 0.82</b>
19	<b>IA2 0.68</b>
20	<b>IA1 0.62</b>
21	<b>BB2 0.89</b>
22	<b>BB1 0.77</b>
23	<b>BA2 0.67</b>
24	<b>BA1 0.54</b>
25	<b>PE2 1.06</b>
26	<b>PE1 0.96</b>
27	<b>PD2 0.97</b>
28	<b>PD1 0.87</b>
29	<b>PC2 0.83</b>
30	<b>PC1 0.76</b>
31	<b>PB2 0.73</b>
32	<b>PB1 0.66</b>
33	<b>PA2 0.56</b>
34	<b>PA1 0.50</b>

(12) A phase-in period is not allowed for implementation of the new reimbursement rates required by this SECTION.

(c) This SECTION expires July 1, 2003.

SECTION 2. [EFFECTIVE UPON PASSAGE] (a) Before July 1, 2001, the office of the secretary of family and social services established by IC 12-8-1-1 shall adopt emergency rules in the same manner that emergency rules are adopted under IC 4-22-2-37.1 to implement SECTION 1 of this act.



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(b) An emergency rule adopted under subsection (a):

(1) is effective on July 1, 2001 (unless final rules to take effect on or before July 1, 2001, are adopted earlier under SECTION 1 of this act); and

(2) expires on the effective date of rules adopted under SECTION 1 of this act.

(c) This SECTION expires July 1, 2003.

SECTION 3. [EFFECTIVE UPON PASSAGE] (a) Not later than September 30, 2001, the office of Medicaid policy and planning established by IC 12-15-1-1 shall submit a state plan amendment to the federal Health Care Financing Administration to implement this act. However, approval of the state plan amendment by the federal Health Care Financing Administration is not required for the office to pay the modified reimbursement rates required by this act.

(b) This SECTION expires July 1, 2003.

SECTION 4. [EFFECTIVE UPON PASSAGE] (a) The office of the secretary of family and social services established by IC 12-8-1-1 shall recalculate, publish, and pay Medicaid reimbursement rates as modified by this act.

(b) The state's rate setting contractor shall calculate and notify providers of their rates under this act not later than September 1, 2001, using the most recently completed cost reports on file as of July 1, 2001.

(c) This SECTION expires July 1, 2003.

SECTION 5. [EFFECTIVE UPON PASSAGE] (a) The office of the secretary of family and social services established by IC 12-8-1-1 shall not do any of the following:

(1) Repeal 405 IAC 1-14.6.

(2) Amend 405 IAC 1-14.6 in any manner that reduces reimbursement for nursing facilities, except as required by SECTION 1(b)(1) of this act, or adopt any other rule under IC 4-22-2 that reduces reimbursement for nursing facilities.

(3) Repeal or amend a rule adopted under this act without statutory authority for the repeal or amendment.

(b) This SECTION expires July 1, 2003.

SECTION 6. An emergency is declared for this act.

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SENATE MOTION

Mr. President: I move that Senator Meeks R be added as second author of Senate Bill 434.

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## COMMITTEE REPORT

Mr. President: The Senate Committee on Finance, to which was referred Senate Bill No. 434, has had the same under consideration and begs leave to report the same back to the Senate with the recommendation that said bill be AMENDED as follows:

Page 2, delete lines 22 through 32.

Page 2, line 33, delete "(7)" and insert **"(5)"**.

Page 2, delete lines 38 through 42.

Page 3, delete line 1.

Page 3, line 2, delete "(9)" and insert **"(6)"**.

Page 3, line 5, delete "eighty-five" and insert **"ninety"**.

Page 3, line 5, delete "(85%);" and insert **"(90%);"** .

Page 3, line 8, delete "(10)" and insert **"(7)"**.

Page 3, delete lines 14 through 38.

Page 3, line 39, delete "(12)" and insert **"(8)"**.

Page 4, line 23, delete "(13)" and insert **"(9)"**.

Page 4, delete lines 26 through 29.

Page 4, line 30, delete "(15)" and insert **"(10)"**.

Page 4, line 39, delete "(16)" and insert **"(11)"**.

Page 5, line 39, delete "(17)" and insert **"(12)"**.

and when so amended that said bill do pass.

(Reference is to SB 434 as introduced.)

BORST, Chairperson

Committee Vote: Yeas 13, Nays 1.

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